

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CIAE-00 COME-00

EB-07 INR-07 LAB-04 NSAE-00 SP-02 TRSE-00 CIEP-01

FRB-03 OMB-01 L-03 STRE-00 ITC-01 SSO-00 INRE-00 SS-15

NSC-05 NSCE-00 /079 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 2952

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L GENEVA 8135

PASS STR FOR MIKE SMITH

E.O. 11652: GDS

TAGS/ GATT, ETRD

SUBJ: TEXTILES: TSB MAJOR REVIEW - MFA RENEWAL

REF: A. STATE 247759, B. GENEVA 8009

1. TSB DRAFTING GROUP CONVENED OCT 15 TO CONSIDER EC PROPOSALS DRAFTING CHANGES IN CHAPTERS II AND III. AFTER PRESENTING NUMBER CHANGES IN CHAPTER III TEXT OF PURELY FACTUAL NATURE (ALL ACCEPTED), EC REPS THEN PROPOSED SERIES CHANGES IN CHAPTER II ALL DESIGNED SHOW BY TRADE FIGURES LARGE INCREASES EFFECTED BY EC IN "MARKET ACCESS." AFTER SOME DISCUSSION IT BECAME CLEAR THAT EC REPS HAD NOT UNDERSTOOD PURPOSE OF CHAPTER III WHICH WAS MEASUREMENT OF RELATIVE CHANGE IN MARKET ACCESS FOR PRODUCTS UNDER RESTRICTION WHEN MFA CAME INTO FORCE. DESPITE EXPLANATIONS BY SECRETARIAT AND ADAMANT REFUSAL DEVELOPING COUNTRY REPS TO ACCEPT EC THESIS ON INTENT CHAPTER II, EC REPS PERSISTED IN ARGUMENT POINTING OUT "UNFAIRNESS" SECRETARIAT'S USE OF U.S. TRADE DATA IN PARA 38 CHAPTER II (U.S. SECTION). SECRETARIAT (HARTRIDGE) RESPONDED BY: A) REMINDING EC REPS SECRETARIAT

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HAD REPEATEDLY ASKED EC FOR DATA COMPARABLE THAT PROVIDED

BY U.S. AND IT HAD NOT BEEN SUPPLIED; B) THAT, IN ABSENCE SUCH DATA, NO DIRECT COMPARISONS BETWEEN U.S. AND EC PERFORMANCE WAS POSSIBLE. EC REPS SAID THIS DATA NOW AVAILABLE AND, OVER WEEKEND, THEY WOULD AGAIN TRY REDRAFT EC PARAGRAPHS IN LIGHT OF "NEW CONCEPT" MARKET ACCESS. TSB TO CONSIDER THIS AFTERNOON OCT 18.

2. HAMZA (EGYPT REP) WHO IS PRINCIPAL SPOKESMAN ON TSB FOR DEVELOPING COUNTRIES ARRIVED LATE AT END OF DEBATE ON MARKET ACCESS THEORY AND, AFTER TSB HAD AGREED CONSIDER EC LATEST DRAFTING PROPOSALS, REOPENED QUESTION OF EC PHASEOUT PROGRAMS WHICH TSB HAD AGREED DESCRIBE AS "DEFERRED LIBERALIZATION" (CHAPTER II, PARA 19). HAMZA, WHO HAD NOT BEEN PARTY TO TSB AGREEMENT THIS LANGUAGE (PARA 2 REFTEL B), IN SHORT ACrimonious STATEMENT COMPLETELY UNDOID COMPROMISE WHICH U.S. AND NORDIC REPS HAD ARRANGED. EC REPS RESPONDED IN KIND AND OCT 15 SESSION ENDED ON THIS SOUR NOTE.

3. AFTER SESSION ENDED HAMZA ASKED U.S. REP TO PRIVATE TALK WHERE HE SAID HE HAD BEEN AWARE OF COMPROMISE BUT HAD BEEN PLACED UNDER EXTREME PRESSURE IN HIS GROUP 77-TEXTILE SUBGROUP TO REOPEN MATTER. SAID DEVELOPING COUNTRIES HAD TO INSIST ON PUTTING EC PERFORMANCE IN TRUE LIGHT IN ORDER FORESTALL EC DEMANDS FOR MORE RESTRICTIVE PROVISIONS IN RENEWED MFA. U.S. REP TOLD HAMZA THAT OVER-ENTHUSIASTIC EFFORT "RUB EC'S NOSE IN IT" MIGHT VERY WELL PRODUCE COUNTER-REACTION WHICH WOULD IN NO WAY BE IN INTEREST DEVELOPING COUNTRIES AND, FURTHER, MIGHT PLACE THE RENEWAL OF MFA IN QUESTION. HAMZA SAID THIS WAS ALSO HIS PERSONAL VIEW BUT THAT HE WAS HAVING MUCH DIFFICULTY WITH HIS CONSTITUENTS. HE ADDED THAT HIS CONSTITUENTS HAD ONLY "ONE PROBLEM WITH THE U.S." SAID THAT MOST OF THEM HAD EXPRESSED VIEW THAT MAJOR EFFORT SHOULD BE MADE TO CONVINCE U.S. THAT IT SHOULD NEGOTIATE TEXTILE TARIFFS WHICH WERE TOO HIGH, ESPECIALLY IN VIEW OF U.S. COMPREHENSION QUANTITATIVE RESTRICTIONS. MOREOVER, SOME OF HIS CONSTITUENTS WERE SUGGESTING HOLD-UP ACCEPTANCE MFA RENEWAL UNTIL "SOME SATISFACTION" RECEIVED ON THIS POINT.

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4. U.S. REP MADE ALL OF USUAL ARGUMENTS ON THIS SUBJECT AND CONCLUDED BY POINTING OUT TO HAMZA THAT, WHILE THE U.S. HAD MADE NO DECISION ON TEXTILE TARIFF TREATMENT, HE WAS REASONABLY SURE WHAT THE DECISION WOULD BE IF THE U.S. HAD TO CONSIDER DECISION UNDER THREAT. U.S. REP CONCLUDED BY EXPLAINING AMERICAN GAME OF "CHICKEN" TO HAMZA, ASKING HIM IF HIS DEVELOPING EXPORTING COUNTRY

COLLEAGUES HAD STUDIED THE CONSEQUENCES FOR THEM IF NEITHER SIDE "CHICKENED OUT." HAMZA REPLIED THAT HE HAD BUT MOST OF HIS COLLEAGUES HADN'T. HE CONCLUDED BY SAYING THAT "SOME SMALL INDICATION FROM U.S." OF POSITIVE APPROACH TO TEXTILE TARIFF NEGOTIATIONS WOULD BE "VERY HELPFUL" IN GETTING DEVELOPING COUNTRIES TO MOVE EARLIER ON MFA EXTENSION.

5. U.S. REP REPORTS FOREGOING FOR WHAT IT IS WORTH AND BELIEVES IT TO BE A FAIR REPRESENTATION OF PRESENT STATE OF PLAY IN GROUP 77 TEXTILE CIRCLE. KOREA IS REPORTED AS ARGUING IN THIS CIRCLE FOR EARLY EXTENSION. HONG KONG ALTERNATE REP (MILLS), WHILE NOT IN GROUP 77, IS DEVOTING GOOD PART HIS TIME TO EFFORTS EDUCATE OTHER DEVELOPING EXPORTING COUNTRY REPS TO DANGERS INHERENT IN ANY KIND SHOWDOWN WITH IMPORTING COUNTRIES RESULTING IN DELAY ON MFA EXTENSION. CATTO

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